DOCUMENT RESUME

ED 103 064 JC 750 210

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TITLE Understanding Community College Finance: A Primer for the Lay Trustee.
INSTITUTION California Community Colleges, Sacramento.; California School Boards Association, Sacramento.
PUB DATE Nov 74
NOTE 19p.

EDRS PRICE MF-$0.76 HC-$1.58 PLUS POSTAGE
DESCRIPTORS *Assessed Valuation; Average Daily Attendance; *Budgeting; Definitions; *Educational Finance; Financial Policy; *Junior Colleges; Management Information Systems; Salaries; School Accounting; State Aid; *State Legislation; Trustees; Tuition
IDENTIFIERS *California; Collier Factor

ABSTRACT

This document provides definitions, methods of computing data, and information regarding state laws, which are needed by California community college lay trustees to successfully execute their responsibilities as board members. Following a brief history of state support for community colleges in California, the author provides: (1) the schedule for budget development; (2) classifications of the various kinds of revenues and expenditures; (3) a description of the elements considered in assessing the valuation of a community college district; (4) a model "Report of Average Daily Attendance" to be submitted for state apportionment; (5) descriptions of the three types of tuition charges for out-of-district residents; (6) the method of applying the "Collier Factor", a penalty factor for districts located in counties which assess property below market value; (7) classifications of students for apportionment purposes; (8) definitions of enrollment terms; (9) an example of the computation needed to determine compliance with the state law requiring that the salaries of classroom teachers represent at least 50 percent of the total current expense; (10) guidelines for requesting reduced assessed valuations for improvements due to redevelopment; and (11) a short description of the new Management Information System (MIS) for accounting and budgeting. (DC)

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Community College Finance

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UNDERSTANDING COMMUNITY COLLEGE FINANCE

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A Primer for the Lay Trustee

Updated: November, 1974

by

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FOREWORD

California has provided state support for Community Colleges since the first campus was established in Fresno in 1910. In 1921, the Legislature authorized the establishment of separate Community College Districts and provided for an allocation to these districts of a flat sum of $2,000 per year, plus $100 for each unit of average daily attendance (ADA) if an additional $100 were provided from local funds. Community Colleges maintained by high school districts continued to receive the high school apportionment of $75 per unit of ADA without the flat grant.

In 1935, the Legislature reduced the $100 per ADA to $90; and in 1937, established a maximum district tax rate of 35¢ for Community College programs. State support remained at this level until 1946. Based on constitutional amendments, the Legislature, in 1947, established new laws providing for state support based upon a foundation program. The foundation program provided for $200 per unit of ADA, with the state to contribute the difference between the proceeds of a local 20¢ tax and the $200. This legislation provided the foundation program concept under which Community Colleges presently operate, including the following components: district aid, basic aid, and equalization aid. There have been gradual increases in the foundation program and computational tax.

Legislation was adopted in 1953 to provide for separation of the ADA of regular classes and classes for adults, and also to limit state aid for classes for adults to a maximum of $80 per ADA. In 1954, the Legislature established two categories for students: (1) those over 21 years of age enrolled in fewer than 10 class hours per week (defined adults), and (2) all other students.

In 1962, the Legislature eliminated the $2,000 flat grant to Community College Districts and increased basic aid to the present $125 per ADA, the foundation program to $543, and the computational tax to 24¢. In 1963, the foundation program was increased to $570 and the computational tax to 25¢. In 1964, the foundation program was increased to $600 and in 1967 further increased to $628. In 1969, the foundation program was increased to $643 for other than adults and to $520 for defined adults. The Legislature included in the 1970-71, 1971-72, and 1972-73 state budgets funds sufficient to provide an additional $19 per ADA to districts receiving equalization aid. The $19 per ADA was discontinued for the 1973-74 fiscal year. In lieu thereof, the Legislature increased the foundation program to $663 and provided an additional $16 per ADA for allocation to equalization aid districts.

In 1973, Senate Bill 6 was enacted providing for substitution of revenue control for the statutory maximum tax rate, increase in the foundation program for other than adults to $1,020 with a 39¢ computational tax beginning in 1973-74 and $556 for adults with a 24¢ computational tax, and automatic annual increases in foundation programs.

- A.L.M.

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BUDGET DEVELOPMENT

FINAL DATE OR PERIOD	ACTION	EXPLANATION
On or Before July 1	File Tentative Budget	Each Community College District shall file a Tentative Budget with the County Superintendent of Schools.
On or Before July 15	County Returns Tentative Budget	The County Superintendent of Schools shall examine and make technical corrections to the Tentative Budget and indicate changes he deems desirable or necessary to determine the tax requirement.
On or Before July 20	File Publication Budget	The governing board shall make such changes in the Tentative Budget as it deems necessary or desirable and return the budget to the County Superintendent of Schools. Such budget shall constitute the Publication Budget for the period to which it is intended to apply.
July (last week)	Publication of Budget	The County Superintendent of Schools shall publish the budget for each district at least once in a newspaper of general circulation.
August 1-7 inclusive	Public Hearing	The governing board of each district shall hold a public hearing on the budget.
On or Before August 8 (10)	Adoption and Filing of Budget	On or before the eighth day of August, or on or before the 10th day of August in the case of a Community College District in which there is an average daily attendance of more than 10,000, the governing board of each Community College District shall finally adopt and file such budget with the County Superintendent of Schools.
On or Before August 15	Transmittal to County and State Officials	The County Superintendent shall approve the Budget as adopted by the governing board, and file a copy with the board of supervisors, the county auditor, and the Chancellor, California Community Colleges.
On or Before August 15	Filing of Budget and Financial Statement	The Community College District governing board shall prepare and keep on file for public inspection a statement of all receipts and expenditures for the preceding fiscal year and a statement of estimated total expenses for the current fiscal year together with the budget of the district in the form prescribed by the Chancellor, California Community Colleges.

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CLASSIFICATION OF REVENUES & EXPENDITURES

Many of the terms of school finance are closely related to the formal structure or classification of Revenues and Expenditures. "Unit Costs; 50% Law; % of State Support; Tuition Charges; Current Expense" . . . are typical terms or measurable amounts resulting from this classification.

The complete classification is contained in the Community College Budgeting and Accounting Manual, as provided by the Board of Governors, California Community Colleges, for required use by all Districts under Education Code Section 25540.5.

CLASSIFICATION OF REVENUES

FEDERAL INCOME RECEIVED FROM FEDERAL SOURCES

Public Law 815 & 874 Funds
Veterans' Education
Economic Opportunity Act (EOA)
Higher Education Facilities Act (HEFA)
Education Professional Development Act (EPDA)
Emergency Employment Act of 1971 (EEA)
Revenue Sharing, 1973
Forest Reserve Funds

FEDERAL INCOME RECEIVED FROM STATE SOURCES

National Defense Education (NDEA)
Manpower Development & Training (MDTA)
Vocation Education Act (VEA)
Children's Centers

STATE INCOME

Principal Apportionment (Basic & Equalization)

Special Purpose Apportionment
- Transportation
- Excess Cost Programs (Physically Handicapped)

Special Allowances
- Instructional Television
- Extended Opportunity Program & Services (EOPS)
- Coordinated Instruction System Programs

Community College Construction Act

Tax Relief Subventions
- Business Inventory
- Property Tax Relief
- Williamson Land Act

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COUNTY INCOME

Community College Tuition Tax ("Free Territory" students)
Equalization Aid Offset Tax

LOCAL INCOME

District Taxes
  Secured Roll
  Unsecured Roll
  Prior Year & Delinquent

Sale of Real or Personal Property

Rentals & Leases

Interest on Deposits

Sales - Bonds, Land, Equipment, Supplies

Fees - Adult Education & Non-Resident Students

Miscellaneous & Unclassified

CLASSIFICATION OF EXPENDITURES

CERTIFICATED SALARIES

Regular Schedule, Teaching

Regular Schedule, Non-Teaching

Other, Teaching

Other, Non-Teaching

CLASSIFIED SALARIES

Classified Service, Non-Instruction

Classified Service, Instructional Aid

Other, Non-Instruction

Other, Instructional Aid

STAFF BENEFITS

State Teachers Retirement Annuity Fund

Public Employees Retirement Fund

Old Age, Survivors, Disability, and Health Insurance

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Health and Welfare Benefits

State Unemployment Insurance

Workmen's Compensation Insurance

Other Benefits

BOOKS, SUPPLIES AND EQUIPMENT REPLACEMENTS

Books

Supplies

Equipment Replacements

OTHER OPERATING EXPENSES

Communications (telephone, postage, telegraph)

Utilities (heat, light, water, power)

CAPITAL OUTLAY

Sites and Site Improvement

Buildings

Books

Equipment

Lease-Purchase Agreements

OTHER OUTGO

Debt Service

Tuition Transfers

Interfund Transfers

Student Financial Aid

Appropriation for Contingencies

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ASSESSED VALUATIONS

The assessed valuation of a Community College District is composed of the valuations of three separate assessment rolls:

1. Secured Property Roll
2. Unsecured Property Roll
3. Utility Property Roll

The secured and unsecured property rolls are determined by the county assessor and are published in separate valuation amounts. Typically, the annual valuation is made available to the district between June 15 - 30. The utility property roll is determined by the State Board of Equalization and is published on or about August 15.

In budget development, it is necessary to deal separately with each of these three rolls. The unsecured property roll automatically receives the tax levy of the previous fiscal year. The secured property roll and the utility property roll are combined and the current year's tax rate is computed upon this total valuation. A factor to provide for delinquent tax payment is applied to the secured and unsecured property rolls as required by law.

Any application of the "Collier Factor" is made only upon the secured and unsecured property rolls inasmuch as they are determined by local county assessment whereas the utility property roll is determined by the State, and, therefore, not subject to county-wide averages.

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STATE APPORTIONMENT

The apportionment of State Aid (Basic Equalization and Special) is made from the State School Fund, Part B, under a formula of computation. Basic to this computation is average daily attendance, district wealth, and type (classification) of student. There is guaranteed by the Constitution to the State School Fund the sum of $120 for each unit of average daily attendance, plus an additional $5.00 per unit by legislative statute. Hence, the term "Basic Aid of $125 per unit of average daily attendance (ADA)."

Under the Foundation Program for Community Colleges, additional computations are made to determine the eligibility for equalization aid to be apportioned over and above basic aid for average daily attendance earned by students who are Resident of the District. Separate Foundation support levels are currently established for students who are classified as "defined adults" as opposed to students who are classified as "other than defined adults."

A typical Community College "Report of Average Daily Attendance" submitted to the Chancellor's Office of the California Community Colleges for apportionment might appear as follows:

CENSUS DAY

The census day is the fourth Monday of the semester or quarter when student attendance is determined for state aid purposes. A factor is applied to account for student attrition during the balance of the semester or quarter. SB 6 requires two census weeks to be implemented (each semester or quarter) beginning July 1, 1975.

STATE AID APPORTIONMENTS

The first apportionment is made in February on the basis of attendance reported by the fall census. The second apportionment is made in June on the basis of the attendance reported by the census of the spring semester average with the fall count to form the annual apportionment. Quarter system colleges report the fall, winter, and spring census counts to be averaged to determine the annual apportionment.

COMPUTATION OF STATE AID

Following are examples of results, on an ADA basis, when the state apportionment formula is applied to Community College Districts of varying assessed valuations:

APPORTIONMENT FACTORS	DISTRICT A	DISTRICT B	DISTRICT C
Average Daily Attendance	2,000	2,000	2,000
Assessed Valuation	$100,000,000	$300,000,000	$500,000,000
Assessed Valuation per ADA	50,000	150,000	250,000

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(CONT.)

APPORTIONMENT FACTORS	DISTRICT A	DISTRICT B	DISTRICT C
[1]Foundation Program per ADA	1,080	1,080	1,080
District Aid (A/V x 39¢) per ADA	195	585	975
Basic Aid per ADA	125	125	125
Equalization Aid per ADA	760	370	--
State Apportionment per ADA (Basic + Equalization)	885	495	125

Following are examples of results when the state apportionment formula is applied to Community College Districts of varying assessed valuation to determine state funds for defined adults:

APPORTIONMENT FACTORS	DISTRICT A	DISTRICT B	DISTRICT C
Average Daily Attendance (Adults)	100	100	100
Assessed Valuation	$100,000,000	$300,000,000	$500,000,000
A/V per Regular ADA (2,000)	50,000	150,000	250,000
[2]Foundation Program	595	595	595
District Aid (A/V x 24¢)	120	360	600
Basic Aid	125	125	125
Equalization Aid	350	110	--
State Apportionment	475	235	125

[1]The Foundation Program will be $1,143 for 1975-76; $1,209 for 1976-77; and will increase $66 each fiscal year thereafter.

[2]The Foundation Program will be $637 for 1975-76; $682 for 1976-77; and will increase 6% each fiscal year thereafter.

CORRECTED PAGE 7: JANUARY 16, 1975

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TUITION CHARGES

Three types of "Tuition Charges" are permitted or mandated under current law for the attendance of students who are not residents of the Community College District of attendance:

1. Community College Tuition Tax - A computed charge for the attendance of students who do not reside in a Community College District or in a district maintaining a Community College.

2. Interdistrict Tuition - A computed charge for the attendance of students whose residence is in a Community College District or in a district maintaining a Community College, and who are released (permitted) to attend another Community College under the terms of a "cost-type" interdistrict attendance agreement.

3. Non-Resident Tuition - A tuition charge determined annually by each district to be paid by non-resident (foreign and out-of-state) students. The local governing board may make certain exceptions to mandatory payment of this tuition charge.

The Community College Tuition Tax is computed as set forth in the Education Code to represent the average costs for all students in attendance in the district. These costs are reduced by the amount of Federal and State apportionments received on account of such attendance. To these net costs is added a facility use charge ("seat tax") of $300 per ADA, plus a charge for transportation of students other than home-to-school. The statement of charges is filed by the Community College of attendance with the County Superintendent of Schools of the county of residence who certifies same to the Board of Supervisors for a tax levy. The levy is made upon all of the property in the county not included in a Community College District or in a district maintaining a Community College. Payment of these charges is made from the tax levy by the County Superintendent of Schools in the fiscal year immediately succeeding the year in which the cost of attendance occurs.

Interdistrict Tuition (sometimes referred to as "Tuition Transfers") is the amount paid by one Community College District to another for the attendance of pupils under a negotiated contract for interdistrict attendance. Generally, the tuition charge is computed in a manner similar to that outlined above for non-district students. A facility charge ("seat tax") may or may not be included in the contract. The charge per ADA can be no less than the State aid apportionment provided by the State. Revenues and expenditures for interdistrict tuition are current year items and must be estimated and included in the official budget of the district for the year of attendance.

Non-Resident Tuition is a per unit charge assessed against foreign and out-of-state students. The Education Code provides that the governing board may admit and shall charge for such students, with the right reserved to the board to waive the charges for certain classes of such students. The per unit charge is determined by the district governing board on or before January 1 of each year and represents the average cost per unit of Current Expense for all students in attendance the immediate preceding year.

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COLLIER FACTOR

In the computation of equalization aid, one of the important factors to be considered is the relative wealth of the district and its ability to finance a portion of the education program, sometimes referred to as, "district aid." The wide disparity in assessment practices throughout the State some years ago created unequal apportionment situations whereby an average or above-average wealth district could receive more equalization aid than a poorer district because of low assessed valuations.

To correct this situation, legislation was enacted several years ago which provided that the State Board of Equalization would conduct a state-wide sampling of assessment practices in each county each year to determine a state-wide average. A county which assessed property below market value as determined by the State sampling was assigned a penalty factor which has come to be known as the "Collier Factor."

An example of the application of the Collier Factor is outlined below:

1. The state-wide sampling indicated that county "X" assessed its property on the average at 6% below the state average. A factor of 1.06 was assigned to the county. If the total assessed valuation of the county was $400,000,000, a computational or "paper" adjustment was then made - - -

   $ 400,000,000 x 1.06 = $ 424,000,000

2. The wealth of the county in terms of assessed valuation has now been increased for the purpose of computing eligibility for equalization aid under State Apportionment. Thus, the local district provides more assistance to meet the Foundation Program level and a lesser amount of equalization aid is received from the State.

To recoup the amount of the loss in equalization aid, the legislation provided that the district levy a special tax which is known as the Equalization Off-Set Tax. This tax levy by the Community College District is made upon the entire county since the Collier Factor is determined on a county-wide basis and is the result of county assessment practices.

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CLASSIFICATION OF STUDENTS FOR APPORTIONMENT

Each student admitted to a California Community College must be classified at the time of enrollment according to residence, age, and program. Based upon these pre-determined classifications, apportionment is received from the State at various rates per unit of average daily attendance.

The initial determination to be made is whether a student is a "defined adult" (DA) or "other than defined adult" (ODA). A student who is 21 years of age or over and enrolled for less than 10 class hours per week is a "defined adult," irrespective of the program in which enrolled. A student who is over 21 years of age and enrolled for 10 or more class hours per week or who is under 21 years of age and enrolled for any number of class hours per week is classified as "other than defined adult." This determination is extremely important inasmuch as the attendance earned by these students results in different levels of state support under the Foundation Program. The attendance earned from students residing in other Community Colleges is also transferred to the district of attendance at different levels of state support based upon this determination.

After the above determination has been made, each student must be further classified according to residence. Again, different levels of state support are received for attendance by reason of residence determination. The current definition of residence for apportionment purposes is as follows:

"District Resident" - A student whose residence is in the State of California and is within a Community College District or a district maintaining a Community College.

"Non-District Resident" - A student whose residence is in the State of California but is not within a district ("free territory"), or a student who, within a 39-month period immediately preceding the residence determination date, was graduated from a high school situated in territory not within a district.

"Non-Resident" - A student who does not have residence in the State for more than one year immediately preceding the residence determination date.

The above classifications must be made separately for each student for summer session, each semester or quarter, and in programs of Classes for Adults.

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ENROLLMENTS - FULLTIME EQUIVALENTS - ADA

Confusion oft-times results from the improper use of the above terms in reports relative to enrollment, attendance and financial matters. While all are related, it is necessary to make a distinction in these terms.

Enrollments: The number of different students or bodies admitted and enrolled in an educational program at any given time.

Fulltime Equivalents: Since all students do not carry a full program, it is necessary by a computational method to define the total student body (enrollments) in the term of its fulltime equivalent. Typically, this is accomplished by adding all of the units (credit hours) for which all of the students are enrolled and dividing the total units (credit hours) by 12 or 15. These divisors are most frequently used to indicate "fulltime" status in reports or statistics or under the policy of the institution.

ADA: ADA is the common and short symbol for average daily attendance earned by students enrolled at the college. Since students may attend during the day or evening, may be enrolled in a fulltime or parttime program, or may be enrolled in one or more semesters, quarters or summer session, it is necessary to accumulate all of the attendance of all students during each such period. This is accomplished by means of a census date in each period at which time the total of all class hours of enrolled students is determined. A pre-determined factor to account for attrition during the balance of the semester or quarter is applied against this total and the resultant adjusted class hours are averaged over the school year into units of average daily attendance. It is possible for a fulltime student to earn more than one unit of average daily attendance during the school year; similarly, the attendance of five parttime students might equal only one or less units of average daily attendance.

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CLASSROOM TEACHER SALARY EXPENDITURE (50% LAW)

The Education Code provides that of the total current expense of a Community College District, a sum representing not less than 50% of such expenditures must be made for salaries of classroom teachers. Total current expense for the purpose of this law includes all expenditures for Administration, Instruction, Health Services, Operation, and Maintenance of Plant and Fixed Charges. Expenditures for Transportation, Community Services, Capital Outlay and Interdistrict Tuition are excluded. The Law further provides that the total current expense may be reduced by the amount of any contract for the lease of facilities and/or equipment and the expenditure of salaries paid to students under the Economic Opportunity Act "Work-Study Program."

A "classroom teacher" is defined as a certificated employee assigned fulltime to classroom teaching, preparation, and related duties or the prorata portion of a certificated employee's time spent in classroom teaching when such employee is assigned to other non-teaching duties. Salaries paid to counselors, librarians, supervisors and other non-teaching certificated employees cannot be included in total teacher salary expenditures.

The law also provides that salary expenditures for Instructional Aides and the cost of employee insurance benefits for "classroom teachers" may be included in the total salary expenditure.

An example of the computation to determine compliance with this law follows:

Total Current Expense	$3,500,000
Less: Cost of Leased Facilities & Equipment	200,000
EOA "Work-Study" Salaries	20,000
Adjusted Current Expense	$3,280,000
Expenditure for "Classroom Teachers" Salaries	$1,650,000
Cost of Related Insurance Benefits	40,000
Salary Cost of Instructional Aide	7,000
Total "Classroom Teacher" Salaries	$1,697,000

$$\frac{\text{Classroom Teachers Salaries}}{\text{Adjusted Current Expense}} = \frac{\$1,697,000}{\$3,280,000} = 51.74\%$$

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REDEVELOPMENT AGENCIES

Another factor affecting equalization apportionment is the assessed valuation of properties which are included in local redevelopment agencies. The Health and Safety Code provides that tax revenues resulting from the value of improvements due to redevelopment shall be retained by the local agency to retire bonds and pay interest related to the costs of the redevelopment. The Community College District receives tax revenue only upon the valuation of the property at the time that redevelopment was commenced.

A special application must be made annually to the State Superintendent of Instruction requesting that the assessed valuation of the district be reduced "on paper" in an amount equal to the improvements to avoid any penalty in the computation of equalization aid.

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PROGRAM BUDGETING

A Planning and Program Budgeting System (PPBS) was implemented on July 1, 1974. This budgeting system is set forth in the Community College Budgeting and Accounting Manual, which replaces the California Public School Accounting Manual previously required for all levels, K - 14.

The new budgeting and accounting system was adopted by the Board of Governors, California Community Colleges, after being pilot-tested in 17 Community College Districts during the 1972-73 and 1973-74 fiscal years. Briefly, the new system is a program budgeting and accounting system with emphasis on management information. It will be referred to as a Management Information System (MIS) and is closely related to the accounting and budgeting practices of university and state colleges.

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